

# MINUTES

North Dakota Public Employees Retirement System  
Tuesday, June 19, 2001  
Fort Union Room  
State Capital  
Bismarck, North Dakota

Members Present:

Mr. Joseph Maichel, Chairman  
Mr. Weldee Baetsch  
Mr. David Gunkel  
Mr. Ron Leingang  
Mr. Robert Barnett  
Mr. Howard Sage  
Ms. Sandi Tabor

Others Present:

Mr. Sparb Collins, Executive Director NDPERS  
Mr. Scott Miller, Attorney General's Office  
Ms. Denise Curfman, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Mr. Larry Brooks, BCBS  
Ms. Rhonda Peterson, BCBS  
Mr. Tom Tupa, SEA/AFPE  
Mr. David Parker, ND Medical Association  
Mr. Howard Snortland, AFPE

Chairman Maichel called the meeting to order at 8:00 AM.

**Minutes**

Chairman Maichel called for any questions or comments regarding the minutes of the May 24, 2001 meeting.

**Ms. Tabor moved approval of the minutes. Mr. Sage seconds the motion.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Maichel

**Nays:** None

**PASSED**

## DEFERRED COMP/DEFINED CONTRIBUTION

### Federal Changes (Informational)

Mr. Collins indicated that the tax bill passed by the United States Congress and Signed by President Bush. Mr. Rod Crane from the Segal Company joins the meeting by conference call to review some of the changes to the pension provisions relating to the 457 plan. Mr. Crane covers the following changes:

1. Retirement Plan limits
2. Multi-employer Section 415 Limits
3. Deduction Limits
4. Portability
5. Pension Non discrimination
6. Participant Communications
7. New Deferred Saving Opportunities
8. Small Plan Incentives
9. Other Retirement Savings Provisions

Mr. Collins indicated that staff has made arrangements with Rod Crane to come to the office and go through these items and lay out a plan to make the necessary changes to our plan documents, rules and regulations and bring the plan back to the Board for review and determination of what will be changed. Once the Board has determined on which of the provisions that will be changed all of our provider contracts will need to be changed to reflect the new provisions.

### Investment Committee Report

Mr. Collins indicated that the PERS Investment Committee has been working on the task of mutual fund additions to the Defined Contribution Plan and the 457 plan over the last several months. Based upon the analysis and discussion the committee felt the additional funds fill the different styles and will allow a member more opportunity to diversify their retirement funds. The recommendations are as follows:

- a. Fidelity Dividend Growth (Large Cap Blend Fund)
- b. Fidelity Blue Chip Growth (Large Cap Growth Fund)
- c. Fidelity Mid Cap Stock Fund (Medium Cap Blend Fund)
- d. INVESCO Dynamics Inv (Medium Cap Growth Fund)
- e. Fidelity Low Price Stock (Small Cap Value Fund)
- f. MSDW Growth B Fund (Small Cap Fund)
- g. Strong Opportunity Inv and Mutual Shares A (Medium Cap Value Fund)

**Mr. Baetsch moves to approve the Investment Committees recommendations. Ms. Tabor seconds.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Maichel

**Nays:** None

**PASSED**

#### Deferred Compensation Book (Investment Options) (Board Action Requested)

Mr. Collins indicated that each year PERS publishes an "Investment Options Summary for the Deferred Compensation Plan". A copy of the summary book has been included in the Board materials. This book is also available on the PERS Web sight Mr. Collins inquires of the Board to whether this book should be made available for the upcoming year and whether this book should be done in-house or through Segal Advisors again. Mr. Collins also indicated that this has not been done in-house before and staff does not have the experience to draw upon to insure timely completion of the project. Mr. Collins indicated that if it were to be done in-house staff would utilize the following method to complete this project keeping in mind staff would primarily rely upon the companies' response as accurate information.

1. Contracting each company
2. Requesting information
3. Give them a certain time frame to respond

**Mr. Leingang moves to continue with the "Investment Summary Option" book and for PERS's staff to do the book in-house.**

**Mr. Gunkel seconds.**

**Ayes:** Baetsch, Leingang, Barnett, Tabor and Chairman Maichel

**Nays:** Gunkel and Sage

**PASSED**

#### Deferred Comp Training (Board Action Requested)

Ms. Allen indicated that SAFECO has had some changes in staffing and the information that has been requested from them needed to be re-sent. Ms. Allen indicated that we had heard from the other providers. The Board at the May meeting accepted Hartford and Nationwide's proposal. Zurich-Kemper's proposal was not accepted and staff notified them of that decision by the Board. Zurich-Kemper did respond and has suspended those agents from doing further business with our plans. Equitable has also suspended their agents. Chairman Maichel calls for any action on SAFECO. Mr. Gunkel recommends waiting until the next Board meeting to take any action to give SAFECO the opportunity to respond.

### GOUP INSURANCE

#### Blue Cross Blue Shield Renewal (Board Action Requested)

Mr. Collins indicated that at the September 28<sup>th</sup> PERS Board meeting the proposal from BCBS was accepted. Both parties agreed to this proposal. As you will note, one of the conditions of provision 1 of the agreement is that PERS would deposit with BCBS three million dollars as a cash reserve from which any

losses from 2001-2003 could be charged against by BCBS. In return for setting up this account we were able to negotiate a \$7.47 per month decrease in the non-Medicare rates. We anticipated the following sources of funding for this deposit last year:

1. Life insurance reserve
2. Estimated carry forward from this biennium
3. Estimated gain from this biennium

At this point we are fairly confident that we have two point five million dollars of the three million dollars need for this deposit and the concern is where do we come up with the remaining \$425,000. There is still a likely hook that this could be met through gains this biennium, however, this will not be clear until August or September. If not staff is recommending the following:

1. We have \$.50 in available premium that has been allocated to a weight management and smoking sensation program. If we are unable to develop the \$425,000 from gains this biennium we could re-allocate that premium to help offset that cost and not implement those program provisions. This would raise approximately two hundred fifty thousand dollars.

Staff recommends this option since the gain-sharing model is 50/50 of the first million dollars and thereafter 100% of all gain is forwarded back to PERS.

**Mr. Gunkel moves to approve staff recommendation.**

**Ms. Tabor seconds.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Maichel

**Nays:** None

**PASSED**

Blue Cross Blue Shield Contract (Board Action Requested)

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Maichel

**Nays:** None

**PASSED**

Provider Training (Board Action Requested)

Ms. Allen provided the Board with an update on the Provider Training. Ms. Allen indicated that on January 31, 2001, PERS sent letters to the home office contacts of each provider company citing the contract requirements and including a list of representatives not in compliance with the administrative agreement. We

required that all representatives be in compliance by April 15, 2001 and set forth two options to meet our compliance requirements. On May 2, 2001 PERS sent a letter to each provider company informing them that some representatives were still out of compliance. Attached was a list of representatives that were presently out of compliance and a list of representatives that would be out of compliance by July 31, 2001. The letter requested each company to send a plan of action that would bring them into compliance by May 22, 2001. Ms. Allen indicated that PERS received responses from all providers except The Equitable and SAFECO Life. Ms. Allen indicated that some of the home office contacts have indicated that they will likely direct us to remove representatives from our list that are not in compliance with the administrative agreement. If this action is taken, guidelines are necessary to define the circumstances under which these agents can re-apply as an eligible provider as, currently, there is nothing prohibiting them from exercising the right in the future. It is staffs recommendation that any agents removed from our eligible list at the direction of the home office may be reinstated only at the direction of the home office.

**Ms. Tabor moves to go with staff recommendation.**

**Mr. Sage seconds.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Maichel

**Nays:** None

**PASSED**

Jackson National (Board Action Requested)

Mr. Collins indicated that in October of 1999 the Board suspended Jackson National as an active provider for making a very basic, but yet very damaging mistake in accepting contributions to a member's account in a manner not authorized by the plan. Mr. Collins also indicated that in the beginning of 2000 performance issues continued to occur relating to Jackson National. The Board at its February meeting reviewed these performance issues and the decision was made to put them in a special review status. At the April Board meeting Ms. Rhonda Grant, Vice President of Government Relations, and Mr. Tucker, Vice President of Technical Support for Jackson National appeared before the PERS Board to convey their concern with the present situation and the steps they intended to pursue to resolve the Boards concerns. Mr. Collins conveyed to the Board that staff has monitored Jackson National during the last year, as requested by the Board. Their performance has met the contractual requirements. However, it should be noted that since Jackson National is not an active provider we have not been able to monitor their ability to process new applications. In light of the performance during the last year staff feels that it would be reasonable to lift the suspension on Jackson National.

**Mr. Gunkel moves to lift the suspension with review of their performance in a year. Mr. Sage seconds.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Maichel  
**Nays:** None  
**PASSED**

Fidelity/Valic Year End Report (Informational)

This report was included in the Board material for your information and review. These reports are on file at the North Dakota Public Employees Retirement System's office.

VALIC Performance Standards (Informational)

Mr. Collins indicated that at the last meeting the Board heard from Representative of American General/VALIC, concerning some of the performance issues that had previously been identified. One of the outcomes of that meeting was that PERS would develop a set of performance standards and a format for measuring them, which would then be reported back to the Board periodically. Mr. Collins directed the Board to the matrix staff has developed and requested feed back. Chairman Maichel requested the Board to review and report any suggestions back to Mr. Collins.

American General Acquisition (Informational)

Provided in the Board materials is the memo and press release from American General concerning their acquisition by American International Group.

**GROUP INSURANCE**

BCBS Audit Follow-up (Informational)

Mr. Collins indicated that at the January PERS Board meeting Bryan Reinhardt presented to the Board his report reviewing the BCBS claims processing procedure. Several issues were identified in that report. The Board directed staff to forward that report to BCBS. Mr. Larry Brooks, BCBS appeared before the Board in response to that report. Chairman Maichel inquired on issue one of that report. Mr. Brooks responded with BCBS is processing the Medicare retiree claims at a PPO Provider at the PPO 15% coinsurance instead of the Medicare carve-out coinsurance rate (20%) as stated in the NDPERS Dakota Plan Medicare Carve-Out Policy also informed the Board that this issue is still be worked on. At this point the plan is paying the 5% of the coinsurance rate. Mr. Brooks informed the Board that effective July 1, 2001 the Medicare Carve-Out Plan would have its own Summary Plan Document. Mr. Brooks indicated that these issues in the report are being discussed and there will be further conversations with the PERS office and BCBS to clear these issues up.

BCBS Contract (Informational)

Ms. Allen indicated to the Board that this is the second draft of the SPD for review. This draft has incorporated any revisions recommended previously by

the Board and staff. Staff has reviewed this current update and has put together a list of issues for review or discussions that we believe are still outstanding before finalizing. The Board directed staff to go through the draft and compare changes with the current SPD and have BCBS document the reason for the changes. Mr. Brooks introduced Rhonda Peterson. Ms. Peterson will be replacing Ms. Sue Tibiatowski.

#### EPO (Informational)

Mr. Collins indicated to the Board that at the last Board meeting was advised that PrimeCare was withdrawing from the EPO Program. In response staff sent a letter to PrimeCare. In the board material is a copy of that letter. PERS did not receive a response from PrimeCare. Mr. Collins also indicated that Medical Arts Clinic has bought out Trinity Health Care System in Minot. One of our EPO providers, Craven Hagen Clinic in Williston, has had to contract for certain specialty services with Medical Arts Clinic. According to the information we received from BCBS, Trinity may not accept this contract. This means that Craven Hagen may not be able to put together a full package of services and may have to withdraw from the EPO program.

#### Health Discussion (Informational)

In your board materials for your information is the most recent Health Discussions newsletter from BCBS.

#### 2000 EAP Utilization Report (Informational)

Mr. Reinhardt appeared before the Board to review this report. This report is on file at the North Dakota Public Employees Retirement System's office.

#### Voluntary Insurance Products (Board Action Requested)

Mr. Collins requested guidance on how to proceed on several issues relating to the Voluntary Insurance Products. First, The Dental Plan: The question is whether or not we should seek a renewal with ING for the upcoming year that starts January 2002 and second, whether or not we should continue our contract with UNUM on the long-term Care product. Included in the board materials are some observations from Deloitte & Touche. Chairman Maichel request the Board's decision on the Dental plan whether to renew or go out to bid. The Board discussed doing a combined bid next year for these two products plus a vision plan. It was suggested that a combination bid next year might be the most efficient.

**Mr. Gunkel moves to renew the ING contract for the upcoming year.**

**Mr. Sage seconds.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Maichel

**Nays:** None

## **PASSED**

Chairman Maichel request the Boards decision on the long-term care plan whether to renew or go out to bid.

**Mr. Sage moves to renew the UNUM contract for the upcoming year.  
Ms. Tabor seconds.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Maichel

**Nays:** None

**PASSED**

### Surplus/Affordability Update (Informational)

Mr. Reinhardt provided an overview of the survey to the Board. This survey is on file at the North Dakota Employees Retirement Systems office.

## MISCELLANEOUS

### Federal Legislation (Informational)

Mr. Collins informed the Board that the tax bill passed on the Senate side and included in the bill is the Pension Provisions, these where included in your board materials for your review. This will now go into conference committee.

### PERS Sub-Committee and Planning Process (Board Action Requested)

Mr. Collins indicated that we are ready to start moving ahead on planning for the next section and inquired from the Board if the process used in the past is acceptable and if so we would need to identify several PERS Board members to be on the committee.

### Executive Directors Annual Review

Chairman Maichel informed the Board that it is salary review time. Chairman Maichel indicated that last year Mr. Baetsch and Mr. Leingang were on the review committee and worked out the appraisal process. Chairman Maichel request Board approval to have Mr. Baetsch and Mr. Leingang complete the review again this year.

**Mr. Gunkel moves to approve Mr. Baetsch and Mr. Leingang.  
Ms. Tabor seconds.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Maichel

**Nays:** None

**PASSED**

### Investment Committee

Mr. Gunkel brings to the Boards recommendation from the Investment Committee relating to the Defined Contribution Plan. The Committee



recommends that a Self-Directed Mutual Fund Window be made available to DC plan participants. This can be done through Fidelity and there is not cost to the members. If we elect to do this Mr. Miller, from the Attorney Generals Office will need to draft a Hold Harmless Agreement that the member would need to sign when choosing a Self-Directed Account.

**Mr. Gunkel moves to offer a Self-Directed Mutual Fund Window as an alternative.**

**Mr. Sage seconds.**

**Ayes:** Baetsch, Gunkel, Leingang, Sage, Barnett, Tabor and Chairman Maichel

**Nays:** None

**PASSED**

Chairman Maichel calls for any other business, hearing none the meeting adjourned at 10:30 AM

*Respectfully Submitted*

***Denise A. Curfman***

*Denise A. Curfman  
Secretary, NDPERS Board*